



भारतीय बीमा विनियामक और विकास प्राधिकरण INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Cir No. IRDAI/ACTL/CIR/MISC/115/06/2022

Date: 10.06.2022

To all life insurers

Subject: Use & file (U&F) procedure for life insurance products & riders

CHAPTER I

1. Background & objective:

- 1.1. Currently, all life insurance products and riders require prior approval of the Authority before launch. However, certain specified modifications are allowed to be carried out through Use & File process as per circular ref. IRDAI/ACT/CIR/MISC/124/07/2019 dated 26.07.2019.
- 1.2. In order to facilitate the life insurance industry to respond faster to the emerging market needs, in terms of designing and pricing of insurance products and to promote ease of doing business, it is decided to expand the scope of Use & File procedure for life insurance products.
- 1.3. This circular is issued under section 14 (2) (e) of the Insurance Regulatory and Development Authority Act, 1999.
2. This circular shall come into force with immediate effect.
3. The following circulars are repealed:
 - 3.1. Circular no. IRDAI/ACT/CIR/MISC/124/07/2019 dated 26.07.2019, regarding Use & File procedure for certain modifications under existing products and riders offered by life insurers
4. The Use & File procedure shall be applicable for products / riders mentioned under Chapter III and Chapter IV of this circular. Insurers shall set up a Product Management Committee as per Chapter II for the filing the products / riders under the Use & File procedure.

CHAPTER II: PRODUCT MANAGEMENT COMMITTEE

5. The provisions of this chapter are applicable for products and riders filed under Use & File procedure, including both new products/riders and modifications.
6. Board Approved Product Management & Pricing Policy (BAPMPP) and Product Management Committee (PMC):
 - 6.1. The Insurer shall have a Board Approved Product Management & Pricing Policy (BAPMPP).

- 6.2. The Board of insurer shall constitute a Product Management Committee (PMC), which shall have Appointed Actuary, Chief Risk Officer, Chief Marketing/Distribution Officer, Chief Technology Officer and Chief Compliance Officer of the insurer as members. In addition to the above, the insurer may include other members of its senior management in the PMC as members or as invitees.
7. The PMC shall review and approve the products/riders in line with Board Approved Product Management & Pricing Policy (BAPMPP) before filing with the Authority under Use & File procedure. The PMC shall ensure that the Benefits reflecting in sales literature, Terms and Conditions reflecting in Policy document shall be consistent with the design approved.
8. The PMC shall carry out a due diligence process and record its concurrence/sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance etc.) to ensure proper product design, appropriate pricing, and filing with the Authority with complete compliance of regulatory requirements.
9. The CEO of the insurer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.
10. The quorum for the Product Management Committee shall be 3 members in addition to Appointed Actuary.

CHAPTER III: APPLICABILITY OF USE & FILE (U&F) FOR NEW PRODUCTS

11. **Applicability:** The provisions of this chapter shall be applicable for the following products / riders:
 - 11.1. Individual non-linked pure term products
 - 11.2. Individual non-linked term products with return of premium
 - 11.3. Individual non-linked health products
 - 11.4. Individual unit-linked products which are offered with the existing approved funds only
 - 11.5. Group Non-linked term insurance products (including one-year renewable, single premium)
 - 11.6. The following group non-linked savings insurance products:
 - 11.6.1. Group Non-Linked Superannuation Product
 - 11.6.2. Group Non-Linked Gratuity Product
 - 11.6.3. Group Leave Encashment Product
 - 11.6.4. Group Post-Retirement Medical Product
 - 11.7. Group Non-linked credit life insurance products
 - 11.8. Group Non-linked health products
 - 11.9. All riders for individual & group business, including:
 - 11.9.1. Term rider
 - 11.9.2. Accidental Death Benefit rider
 - 11.9.3. Accidental Total / Partial Permanent Disablement rider
 - 11.9.4. Waiver of Premium rider
 - 11.9.5. Critical Illness rider
 - 11.9.6. Terminal Illness rider(The above list of riders is not exhaustive.)
12. A new product or rider filed under this chapter shall fulfil the following specific conditions:

- 12.1. In case of introduction of a new product/rider replacing an existing similar product/rider, the premium rates and benefits of the new product/rider shall be reasonable and fair.
- 12.2. The number of options / variants offered under the product shall be reasonable. All options shall be easily explainable to prospective policyholders. Policyholders shall not be offered any overlapping benefits.
- 12.3. For individual unit linked insurance products (ULIPs):
 - 12.3.1. Expected Unit Fund value at Maturity shall be at least 90% of total premium paid at 4% gross yield on the Unit Fund after allowing for all the deductions under the policy, including underwriting loadings, if any.
 - 12.3.2. The mortality rate assumption used for mortality charge shall be consistent with that used for profit testing the product.
- 12.4. For pure risk premium products:
 - 12.4.1. For products with return of premiums: Surrender Value shall follow a smooth progression and shall be close to the guaranteed maturity value towards the end of the policy term.
 - 12.4.2. For limited pay/single pay products: Benefits payable on surrender of the policy shall be reasonable and fair.
 - 12.4.3. For group products (other than fund based group products):
 - 12.4.3.1. Where different premium rates are applicable for different mortality assumptions, the selection of a specific mortality rate for a particular group shall be in accordance with objective criteria laid down in the Board-approved underwriting policy.
 - 12.4.3.2. The discounts and loadings offered based on various rating factors specific to the group, such as group size, shall be based on objective criteria and shall be in accordance with the Board-approved underwriting policy.
 - 12.4.4. For credit life products:
 - 12.4.4.1. The coverage term at inception shall not be more than the loan tenure.
 - 12.4.4.2. Sum Assured shall be consistent with the loan schedule.
 - 12.4.5. For non-linked riders, if required, expenses may be loaded only on marginal basis.
- 12.5. If the product/rider has a health component, non-standardized exclusions shall be in line with medical ethics, based on medico-legal opinion obtained by the insurer in this regard.
13. **Procedure for filing a new product or rider under U&F procedure:** With the approval of the PMC, the insurer shall file the documents as per para 22 with the Authority through an online platform (currently BAP), to generate the UIN. The insurer shall launch the product within 15 days from the date of generation of UIN with an intimation to the Authority.

CHAPTER IV: USE & FILE FOR CERTAIN MODIFICATIONS

14. Applicability:

14.1. For products / riders included in para 11 which satisfy the conditions in para 12, modifications shall be carried out only through U&F route as per conditions under this chapter.

14.2. For other products / riders:

14.2.1. If the modification satisfies all the conditions mentioned in this chapter, it shall be carried out through U&F route under this chapter.

14.2.2. If the modification does not satisfy one or more conditions mentioned in this chapter, it shall be carried out through F&U route

15. Modifications permitted with UIN change: Changes in premium rates/charges and/or benefit amounts due to changes in any of the following will be processed through Use and File route with change in UIN.

15.1. Interest rates under premium basis.

15.2. Mortality assumptions under premium basis.

15.3. Morbidity assumptions under premium basis.

15.4. Expenses assumptions under premium basis, including change in expected commission/remuneration/reward costs

15.5. Lapse, surrender and paid-up assumptions under premium basis.

15.6. Extension of premium table to higher/lower ages and/or to longer /shorter premium payment terms and policy terms under approved products/riders.

15.7. Change in minimum/maximum premium and/or benefit amounts.

15.8. Any other change permitted under para 14.1

16. Modifications permitted without UIN change: The following modifications shall be through Use and File route without change in UIN:

16.1. Addition/deletion of existing riders to existing products

16.2. Addition/deletion of premium payment modes (frequencies).

16.3. Addition/deletion of distribution channel

16.4. Addition of existing unit linked funds to existing unit linked products.

16.5. Change in tax rate assumption for the Insurer

16.6. Change in Reinsurance arrangements

16.7. Addition/deletion of one or more payment modes to income benefits payable to policyholders

- 16.8. Change in interest rate for revivals / policy loans
- 16.9. Modification in products solely because of change in any applicable Act/ government scheme rules or based on specific directions from the Authority

17. Applicability to existing policyholders where modifications done without UIN change:

- 17.1. The benefits of any modifications made without UIN change may be extended to existing policyholders, if the policyholders so wish. However, no such modification shall:
 - 17.1.1. Restrict or take away the rights or options available to existing policyholders.
 - 17.1.2. Vary the premiums / charges / benefits etc. to their disadvantage.
- 17.2. However, for modifications without UIN change made due to change in government scheme rules and / or based on specific directions from the Authority, the applicability to existing policyholders will be as per the applicable scheme rules / directions.

18. Conditions to be satisfied for filing under this chapter:

- 18.1. There is no change in benefit structure/ design of the product or rider.
- 18.2. Modifications without UIN change shall be applicable only when there is no change in premium rates and/or charges and/or benefits under the product/rider, except for modifications carried out as under in para 16.9. If there is any change in the premium rates and/or charges and/or benefits, due to modifications as per para 16, then Use & File procedure with change in UIN shall be followed subject to compliance with provisions under Para 18.5.
- 18.3. Prior directions given by the Authority in respect of the product or rider, if any, including conditions stipulated at the time of approval of the product or rider under F&U procedure, shall remain applicable to the modified version also.
- 18.4. One or more changes under either para 15 or 16 above may be made simultaneously. However, if any change is made under para 15, the UIN shall be changed, even if other changes are made simultaneously under para 16.
- 18.5. The total changes in benefits/charges/premium rates, as applicable, during any financial year shall not exceed:
 - 18.5.1. $\pm 15\%$ for changes on account of change in interest rate assumptions under para 15.1
 - 18.5.2. $\pm 20\%$ for all other changes

(This condition is not applicable for products / riders included in para 11 which satisfy the conditions in para 12. However, the revised premium rates and benefits shall be reasonable and fair)
- 18.6. Except for the changes mentioned in para 15.1, 16.1, 16.2, 16.3, 16.4, 16.5, and 16.9, there shall be a gap of at least one year from the initial launch or previous modification of the product or rider, whichever is later.

19. Procedure for modifying existing products and riders:

- 19.1. The modified version shall be launched only with the approval of the PMC.
- 19.2. The existing version of the product or rider shall be withdrawn from the market for new business before launch of modified version of that product or rider.
- 19.3. The documents as per para 22 shall be filed with the Authority through an online platform (currently BAP) within seven days from the date of launch of modified version of the product/rider.
- 19.4. Where the modification requires UIN change, the Insurer shall allot the next higher version of UIN as per the current procedure as explained below:
If UIN of the existing product is 123N111V01, the UIN of the modified product will be 123N111V02. It is to be noted that the last three characters of UIN stand for the “version” of the product. This process shall be followed every time a product is modified under this circular.
- 19.5. The modified UIN will be displayed in all the documents of the modified product.

CHAPTER V: GENERAL PROVISIONS

20. This chapter applies to all products / riders including modification filed under Use & File procedure.

21. General conditions to be satisfied:

- 21.1. Compliance with the Insurance Act, 1938, all Regulations and directions of the Authority, and all other extant norms as applicable.
- 21.2. Compliance with additional guidance including any check-list issued/communicated by the Authority from time to time
- 21.3. The premium rates/charges, benefit structure, terms and conditions are workable and sound, the underlying assumptions are reasonable and premium rates/charges are fair and appropriately reflect benefits and terms & conditions of the product.
- 21.4. The premium derivation, rating process and discount offered / loading applied shall be unambiguous and objectively defined such that similar risks shall not be discriminated in terms of premium being charged.
- 21.5. The premium rates and charges have been derived using generally accepted actuarial principles. A few examples are given below:
 - 21.5.1. Premium rates/ charges/ benefits under life insurance products vary by age.
 - 21.5.2. There is consistency between the investment return assumption and assumption for inflation of expenses while deriving premium rates.

Note: The above list of generally accepted actuarial principles is only indicative and not exhaustive.

- 21.6. Pricing basis is in line with the insurer's own experience, to the extent applicable.
- 21.7. There is consistency between the pricing assumptions and the valuation assumptions used for profit testing, to the extent applicable.
- 21.8. The premium rates/charges are equitable between policies sold through different distribution channels.
- 21.9. If there is a feature such as settlement option/income option/inbuilt income option etc. where benefits are payable in instalments on death or maturity, the instalment/income period shall be reasonable.
- 21.10. The products/riders shall be financially viable at the portfolio level
- 21.11. The profit margin shall be reasonable.
- 21.12. The information submitted shall be consistent across all the filed documents.
- 21.13. Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938.
- 21.14. The premium basis shall be supported by comparison of actual experience with the assumption over a period of 3 to 5 years under that product/rider and/or that product segment/rider segment.
- 21.15. The product/rider shall be offered in the market only as per the filed documents.
- 21.16. The insurer shall build up, maintain and monitor the experience under all the distinct covers (including base and rider covers) separately.

22. Documents to be submitted:

- 22.1. Use and File application, in the same format as per the circular No. IRDA/ACTL/FUP/VER 2.0/Dec. 2001, dated 12-12-2001 as used for File and Use application.
- 22.2. Sales literature, benefit illustration wherever applicable
- 22.3. Policy document
- 22.4. Key features document wherever applicable
- 22.5. Proposal form
- 22.6. System readiness certificate issued by the PMC
It is clarified that, for products / riders issued under this circular, the PMC shall be considered as the "delegated risk committee" of the Board for the purpose of Regulation 10 of IRDAI (Non-Linked Insurance Products) Regulations, 2019 and Regulation 36 of IRDAI (Unit-Linked Insurance Products) Regulations, 2019.
- 22.7. Minutes of the PMC meeting approving the product / rider to be filed
- 22.8. Certificate as per Annexure I
- 22.9. Any other documents required to be filed as per other Regulations or circulars issued by the Authority
- 22.10. For modifications:
 - 22.10.1. Table showing all the changes from the existing version, along with a certification from the Appointed Actuary that there are no other changes.

- 22.10.2. Justification of changes in pricing basis, if any
- 22.10.3. List of paras of this circular under which modification have been carried out
- 22.10.4. Date of withdrawal of existing product and date of launch of modified product along with UIN details.

Note: For modifications, the documents in paras 22.1 to 22.5 should be in track changes mode, showing changes from the earlier version.

23. Regulatory actions:

- 23.1. The Authority may, at any time, examine any documents filed by an insurer under this circular and/or the products/riders it offers for sale in the market.
- 23.2. If any violation of extant norms (including the provisions of this circular) is noted, the Authority may initiate action, as deemed appropriate, against the signatories of the certificate, the members of the PMC, and the insurer, jointly and/or severally, under the applicable provisions of the Insurance Act, 1938 or any other applicable legal / regulatory provision.
- 23.3. The Authority reserves its right to issue any appropriate direction under Section 14 of the IRDA Act, 1999 to any insurer on any products / riders launched or proposed to be launched under this circular. This may include, but is not restricted to:
 - 23.3.1. Directing the insurer to withdraw the product / rider
 - 23.3.2. Withdrawing the Use & File facility for products / riders for such period as may be determined
- 24. Transitory provisions for filing products/riders under this circular until the required changes have been implemented in the BAP platform shall be communicated to life insurers separately.
- 25. The File & Use applications of the products/riders already filed with the Authority, which are under process will be returned to the insurer provided the filing (new/modification) is permitted under Chapter III or Chapter IV of this circular.
- 26. The Appointed Actuary shall submit the summary of products launched/modified during the year under U&F procedure including experience under such products along with Appointed Actuary's Annual Report (AAAR) as an annexure.

(P K Arora)
Member (Actuary)

ANNEXURE I: CERTIFICATION

1. It is hereby certified that all the provisions of IRDAI circular no. IRDA/ACT/CIR/MISC/XXX/XX/2022, as applicable for new/modification (please strike out accordingly) have been complied with and shall continue to be complied with, in respect of the product/rider<<brand name>> filed on <<filing date>>,
2. It is noted and agreed that if any non-compliance is observed in this regard or information provided hereunder found to be incorrect at any point of time, the responsible parties, which may include one or more of <<insurance company name>>, its CEO, the members of its PMC, or any other responsible party may be liable to appropriate action under the applicable provisions of the Insurance Act, 1938 or any other applicable legal / regulatory norms.

Signature and name of
Appointed Actuary
Date:

Signature, name & designation of
Chairperson of PMC
Date:

Signature and name of CEO
Date: